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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR LAO PEOPLE'S DEMOCRATIC REPUBLIC

Note by the Administrator

I. PREPARATORY PROCESS

1. Several activities contributed to the preparation of the fifth country programme. A large number of sectoral or investment planning missions took place during 1989-1991, mainly under the auspices of UNDP, the Asian Development Bank (AsDB) and the World Bank. Most of these missions related to pending loan agreements or the preparation of sectoral master plans. They identified both investment and technical cooperation proposals for implementation. The public investment programme identified investments and related technical cooperation for implementation during the 1991-1995 period. The policy framework paper, approved by the International Monetary Fund (IMF) and the World Bank for their structural adjustment facilities, provided guidance on technical cooperation needs. The report prepared by the Government for the round-table meeting in March 1992 identified investment and technical cooperation proposals for consideration by donors. The mid-term review of the fourth country programme in December 1989 provided guidance on the types of UNDP cooperation most likely to succeed.

2. In August 1991, the advisory note proposing priorities for the fifth country programme was submitted to the Government, following consideration of all source materials and UNDP areas of focus, consultations with visiting missions from the World Bank, AsDB and other donors, and frequent dialogue between government officials and UNDP staff in Vientiane. The advisory note

was discussed at a meeting with representatives from the technical ministries, UNDP, and the Lao Women's Union. The fifth country programme was prepared after a review of the advisory note, in consultations established by the Government between UNDP staff and a working group consisting of Ministry of External Economic Relations, Ministry of Economy, Planning and Finance, and Ministry of Foreign Affairs (MFA) representatives.

II. ANALYTICAL COMMENTARY ON THE COUNTRY PROGRAMME

3. With a gross domestic product (GDP) of $180 (1990 estimate) per capita for a population of 4.2 million, Laos is one of the least developed countries (LDCs) of the world. Within the framework of its New Economic Mechanism, adopted in 1986 and gaining momentum since 1988, the country aims at disengaging the State from most production activities, at the same time fostering the State's new role as a provider of an appropriate legal and regulatory framework and macroeconomic environment for private sector production, and improved physical and social infrastructure. These reforms have included the removal of restrictions on private sector activities, removal of subsidies and price controls, adoption of a unified and market-related exchange rate, liberalization of domestic and external trade and foreign investment regulations, tax and financial sector reform, granting of autonomy to State enterprises, the promulgation of laws governing property rights, contracts and banking.

4. The economic and social reform process is likely to remain the dominant and possibly long-term theme in Laos' development objectives. Since 85 per cent of the population are engaged in agricultural, livestock and forestry activities, these sectors will constitute the mainstay of the country's economy for many years to come. However, a lack of physical infrastructure such as roads, bridges, and telecommunications and shortages of skills at all levels, including language skills, have constrained development in this sector as well as development of the economy as a whole.

5. Consequently, areas of concentration for UNDP support relate to the following: economic reform (resource mobilization and public investment programming, enhancement of private sector development and promotion of market production in rural areas); development of physical infrastructure (telecommunication and civil aviation master plans, mineral and hydro-power development, road and river transport development); and human resource development (public and private sector staff basic skill and management capability development, improvement in the quality of education, increased coverage and effectiveness of health services, improved social security schemes).

6. Although UNDP country programme resources for Laos are limited ($42.2 million) as compared to inputs from multilateral financial institutions such as the IMF, the World Bank and AsDB and some major bilateral donors, UNDP remains the only multilateral donor able to support Laos' key objective of accelerating economic reforms with grant-funded technical cooperation on a large scale and over a sustained period. UNDP's flexible response to evolving

needs and, in particular, its involvement in master plans for several key sectors have made it a trusted partner of the Government for policy dialogue and action on various important issues. This is UNDP's principal comparative advantage in Laos.

7. In line with UNDP's special mandate for national capacity-building, its cooperation will concentrate on the strengthening of government capacities for overall management of sectoral programmes rather than on technical cooperation for specific components of these programmes. This will imply the use of a flexible approach to the provision of technical cooperation, also tapping the additional funding possibilities of UNDP-administered funds such as the United Nations Capital Development Fund (UNCDF) and the United Nations Development Fund for Women (UNIFEM), as well as those of the United Nations Population Fund (UNFPA) and, through the UNDP-organized round-table meeting process, the utilization of UNDP's catalytic role of mobilizing complementary funding from other multilateral and bilateral donors.

8. UNDP's areas of focus for capacity-building (the six areas of focus of Governing Council decision 90/34) as well as other major UNDP policy initiatives such as that for the human immune deficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) are reflected in the country programme within the areas of concentration.

9. The main achievement indicators for the areas of concentration supported by UNDP will be measurable growth of commercial agricultural outputs and diversified exports; increases in tax revenue and public/private savings; the privatization of a significant number of State enterprises; growth of private, foreign and joint-venture businesses; expansion of transport and communication facilities; proven results of mineral exploration and hydro-power development; higher rates of literacy and school involvement at all levels as well as advancements in the skill level and in the efficiency of a streamlined civil service.

III. MANAGEMENT OF PROGRAMME IMPLEMENTATION

10. While the country programme consists of interlinked and mutually reinforcing support to priority objectives of the Government, insufficient data on capital and recurrent resources needs, in a period of rapid economic transition, has not made it possible as yet to pursue a full programme approach.

11. Since the Government's capacity to manage the development process entirely under its own responsibility remains limited, national execution of UNDP projects can be introduced only gradually. In moving towards national execution, the Government intends to continue to rely on United Nations specialized agencies through cooperating agreements in the implementation of specific project components of a highly technical nature. The programme reserve set aside could provide the funding for additional training and logistical support required to accelerate this process.

12. UNDP intends to continue its successful collaboration with the growing community of international non-governmental organizations (NGOs), particularly in rural community development projects, and will seek contact with the national NGOs as these are established. UNV specialists and Partners in Development workers will be utilized in increasing numbers in such fields as road maintenance, agricultural extension, health care, language training and community development.

13. Drawing on the experience gained from the implementation of previous country programmes, progress will be closely monitored utilizing UNDP standard tools of tripartite meetings, annual and mid-term country programme reviews, as well as mid-term and/or final evaluations. Achievement indicators, as established in the programme document, will facilitate an objective assessment of the programme's success during the course of its implementation.

IV. RECOMMENDATION

14. The proposed fifth country programme for Laos supports key national objectives while, at the same time, directly and indirectly addressing many of the UNDP areas of focus. It gives much greater emphasis than in the previous cycle to policy analysis and high-level advice. The programme is well focused, it emphasizes UNDP's comparative advantage, and ensures the best use of UNDP resources in support of national goals and objectives.

15. The Administrator recommends that the Governing Council approve the fifth country programme for Laos.